

MONTANA Economy at a Glance

FEBRUARY 2008

EMPLOYMENT BY INDUSTRY

(Does not include self-employed or agricultural employment)

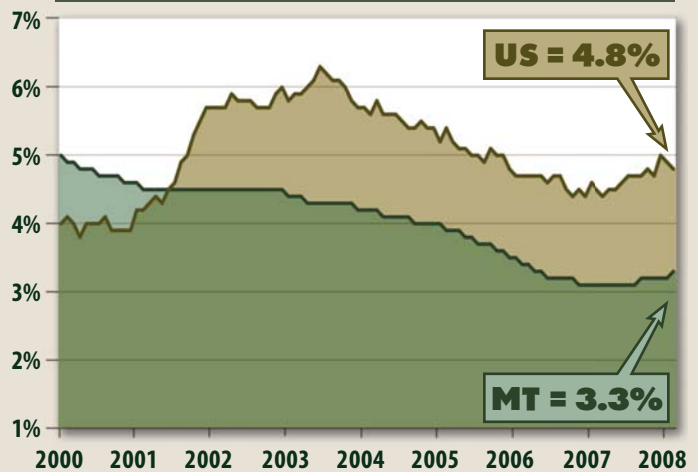
Industry Employment (in thousands)	Feb.(P) 2008	Jan. 2008	Net Change	Percent Change
Total Non-Agricultural	449.7	448.4	1.3	0.3%
Natural Resources & Mining	8.5	8.5	0.0	0.0%
Construction	32.8	32.7	0.1	0.3%
Manufacturing	20.4	20.4	0.0	0.0%
Trade, Transportation, & Utilities	93.5	93.6	-0.1	-0.1%
Information	7.7	7.7	0.0	0.0%
Financial Activities	21.8	21.7	0.1	0.5%
Professional & Business Services	41.9	41.8	0.1	0.2%
Education & Health Services	60.0	59.8	0.2	0.3%
Leisure & Hospitality	59.5	59.0	0.5	0.8%
Other Services	17.3	17.1	0.2	1.2%
Total Government	86.3	86.1	0.2	0.2%

(P) denotes preliminary figures

Montana's seasonally-adjusted non-agricultural payroll employment increased by 1,300 jobs (0.3%) from January to February 2008. Leisure & Hospitality showed the largest gain with 500 (+0.8%) added jobs. Education & Health Services, Total Government, and Other Services each gained 200 jobs over the month.

UNEMPLOYMENT RATE

Seasonally Adjusted



Montana's seasonally-adjusted unemployment rate saw a slight increase to 3.3% in February from 3.2% in January. The U.S. rate fell slightly from 4.9% to 4.8% over the month. Please note: the above graph reflects revised population controls, seasonal factors, and model reestimation for 2003-2007.

NON-FARM EMPLOYMENT

In Thousands



The Research and Analysis Bureau of the Montana Department of Labor and Industry
"Montana's Workforce Information Center"

Phone: (406) 444-2430 or (800) 541-3904 - Fax: (406) 444-2638 - Website: www.ourfactsyourfuture.org



Can Montana Escape a National Economic Downturn?

by Barbara Wagner, Economist

The national news is filled with speculations of a national recession brought on by the decline of the housing market, reduced availability of credit brought on by the subprime lending crisis, and inflationary pressures of rising oil and food prices. Congress and the Federal Reserve Bank have rushed in to avert recession by providing a tax rebate to stimulate consumer spending, cutting interest rates, and increasing available credit. Uncertainty about a possible recession and about the effects of stimulus efforts has economists and Wall Street worried. But how should the average Montanan react to the scare of a national recession?

Based on historical unemployment data, Montanans have little to fear from the current national instability. Montana's employment is generally more stable than the employment in the national economy during recessionary periods. In fact, Montana's agriculture and energy industries will likely benefit from the rising food and fuel prices. However, risks remain for Montana's real estate and wood products industries.

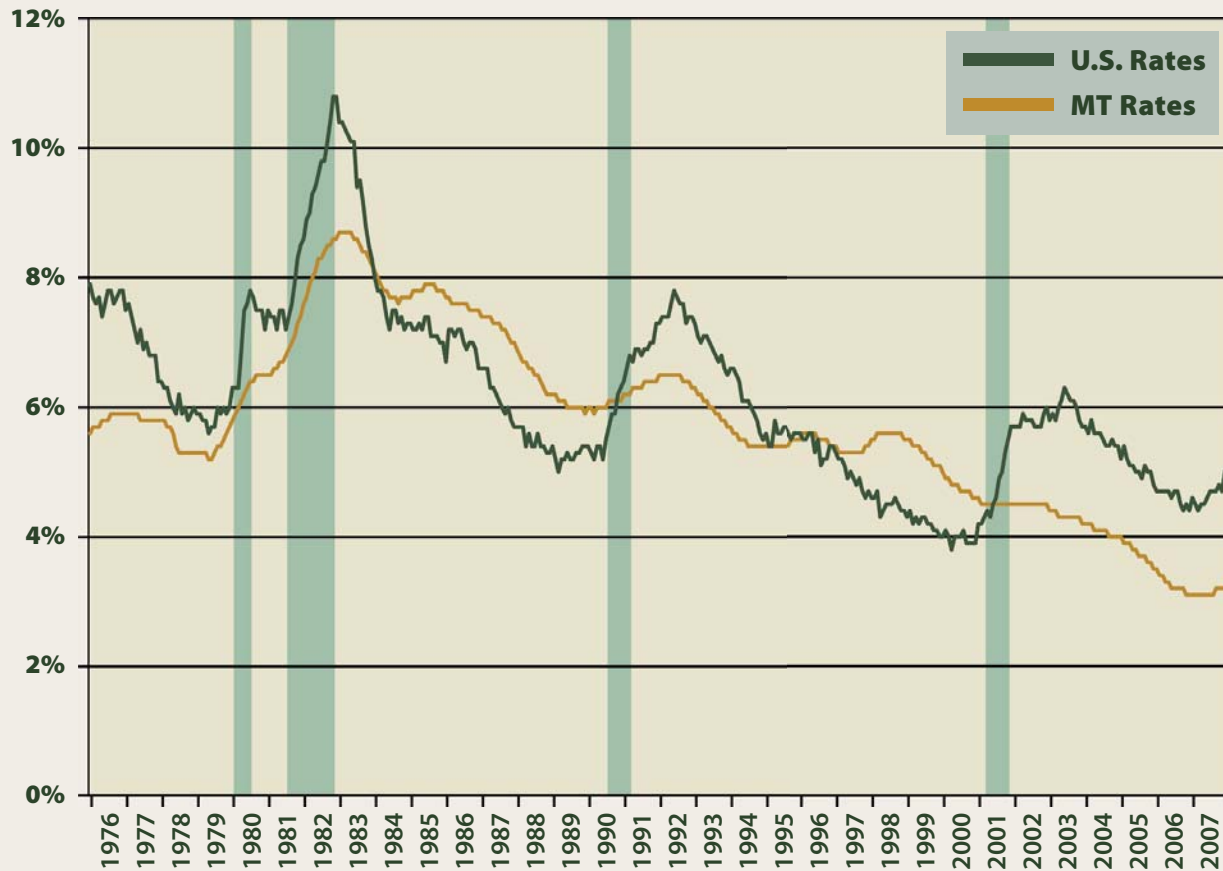
Technical Analysis:

One way to determine how Montana will weather the current national instability is to look at Montana's performance in past economic downturns. The National Bureau of Economic Research (NBER), the organization that officially deter-

mines when recessions begin and end, identifies four economic downturns since 1980: (1) from Jan 1980 to July 1980, (2) from July 1981 to Nov 1982, (3) from July 1990 to March 1991, and (4) from March 2001 to Nov 2001. The determination of a national recession is based on a number of factors, including real Gross Domestic Product (GDP), real personal income, employment, industrial production, and wholesale-retail sales.¹

Because information on many of these factors is not available at the state level, only employment figures are used to explore the impact of these recessions on Montana's economy. Figure One shows the seasonally-adjusted unemployment rate for the U.S. and for Montana from January 1976 to February 2008. The official recession periods designated by the NBER are highlighted by the green boxes. Although trends in the unemployment rates do not fully correspond to the official recessions, the official recession periods give us a good basis to compare Montana and U.S. employment.

Montana's economy is clearly influenced by the national economy. During each recessionary period, Montana's unemployment rate altered from its trend. (In the most recent recession, the unemployment rate altered its downward trend, but remained stable instead of increasing). However, the change in the unemployment rate was less dramatic for Montana than for the U.S. as a whole. Table One

**Figure 1: Seasonally-Adjusted Unemployment Rates for Montana and the U.S. - January 1976 to February 2008**

Source: Research & Analysis Bureau, LAUS program

compares the change in the unemployment rate for Montana and the U.S. for the recessionary periods.

During the first recession, the national unemployment rate increased from 6.3% in January of 1980 to 7.8% in July 1980, an increase of 1.5%. In comparison, Montana's rate only increased from

5.8% to 6.4%, or a change of only 0.6%. Montana's change in the unemployment rate is less than the change in the U.S. unemployment rate in all of the last four recessions.

There is also evidence that Montana is becoming less sensitive to national downturns over time. During the first recession listed on the chart, the

Table 1: Change in Unemployment Rates During Official Recessions

Dates	U.S.			MT			Ratio
	Start Rate	Highest Rate	Change in Rate	Start Rate	Highest Rate	Change in Rate	
Jan 1980 to July 1980	6.3	7.8	1.5	5.8	6.4	0.6	40%
July 1981 to Nov 1982	7.2	10.8	3.6	6.8	8.6	1.8	50%
July 1990 to March 1991	5.5	6.8	1.3	6.0	6.2	0.2	15%
March 2001 to Nov 2001	4.3	5.6	1.3	4.5	4.5	0	0%

Source: Research & Analysis Bureau, LAUS program



ratio of Montana's change in the unemployment rate to the U.S. change in the unemployment rate was 40%, meaning that Montana's unemployment rate change was 40% of the U.S. change. Although the ratio is high for the two recessions in the 1980s, the ratio decreases in subsequent recessions, indicating that the impact of the national downturns on the Montana economy is diminishing. In fact, the ratio of zero in the most recent recession indicates that Montana's unemployment rate was not affected by the national rate.

Industry Analysis:

Further insight into how Montana will weather the current national instability can be gained by examining Montana's industries. Most importantly, the national economic woes may actually benefit two of Montana's important industries: agriculture and energy. Rising prices for food and energy may raise consumers' eyebrows across the country, but these price increases translate into increased receipts for Montana's agricultural and energy sectors. Agriculture and energy are Montana's two top industries by receipts and are major exporting industries in Montana.² These industries serve to bring new money into the state through exports, which then translate into growth for other industries through spending and spillovers.

However, risks remain to the Montana economy. Of primary concern to national economists are the financial and real estate sectors; these sectors represent 5% of the total nonfarm payroll employment in Montana's economy.³ Damage to the financial and real estate sector did not stop at Montana's borders; state employment in financial and real estate decreased slightly by -0.9% (approximately 200 jobs) in the fourth quarter of 2007 compared to the prior year.

However, the most recent employment estimates from the Current Employment Statistics program (CES) suggest that the financial and real estate sectors in Montana have started to recover, with a seasonally-adjusted increase of 100 jobs from January to February. Foreclosures on home mortgages, which has driven the real estate and lending crises nationally, are low in Montana (less than 0.7%) compared to the national average of 1.4%, primarily due to low rates of unemployment and a strong economy.⁴ These factors suggest that the impact of the national problems in the financial and real estate sectors on Montana's economy will be limited.

It also appears that the impacts on the housing-related industry of construction will be limited. Although carpenters, lumber producers, and economists alike have all been watching the construction industry closely, job losses outside of normal seasonal trends have not yet occurred. Fourth-quarter employment in the construction industry declined -5% from the seasonally high third quarter, but this decline is not significantly different than the seasonal decline in prior years. Further, average employment in the construction industry during 2007 was 9.7% higher than 2006.⁵

Of greatest concern is the wood products industry, which is a significant employer in Western Montana and an important exporting industry in the state. Official employment figures for the wood products industry have not yet shown any job losses outside of normal seasonal and long-term trends. However, reported plant closings may soon impact the industry and the employment situation in Western Montana counties. The extent of the impact to the wood products industry is dependent on a number of factors, including demand for lumber from the housing sector, competition from foreign trade, and the value of the U.S. dollar.



In summary, historic performance of Montana's economy during national economic downturns suggests that Montana's economy will remain strong, while high prices for agricultural and energy products will serve to bring more money into our state's economy. Risks remain in the housing-related sectors, particularly in the wood products

industry, and these risks will likely worsen if the national instability officially becomes a recession or lasts longer than expected. However, with national economists expecting conditions ranging from an economic slowdown to a short-lived recession, Montanans can be cautiously optimistic about the state's economy in the coming months.

References:

¹National Bureau of Economic Research. "U.S. Business Cycle Expansions and Contractions," accessible at www.nber.org/cycles.html. Accessed March 14, 2008.

²Montana Department of Commerce, Census and Economic Information Center. December 2007. "Economic and Demographic Analysis of Montana, Volume I: Economic Profile." Available online at www.housing.mt.gov/Hous_CP_Econ_Demographic_Analysis.asp.

³Based on preliminary Current Employment Statistics (CES) for February 2008 for "Financial Services" and "Total Nonfarm Employment."

⁴Edmiston, Kelly D. and Zalnaitis, Roger. 2007. "Rising Foreclosures in the United States: A Perfect Storm." *Economic Review*. Federal Reserve Bank of Kansas City. V 92, N 4, 2007:4.

⁵Current Employment Statistics (CES). "Construction" and "Wood Product Manufacturing."

MCIS for Employers?

The Montana Career Information System is known as one of the state's most comprehensive career planning tools available on the internet, but few realize its value as a tool for employers and business owners. The hiring process can be challenging, not only for job seekers, but also to employers who sometimes struggle to determine the best wages to offer in order to attract applicants who possess the skills, qualifications, and education to succeed at the job.

For an employer advertising a job opening, it can be a challenge just to write the position description. MCIS can be a valuable resource in this process, offering detailed descriptions of over 500 occupations, including lists of the skills, abilities, and knowledge needed, educational requirements, hiring practices, and wages. You'll find a comparison of wages on the statewide and national levels, as

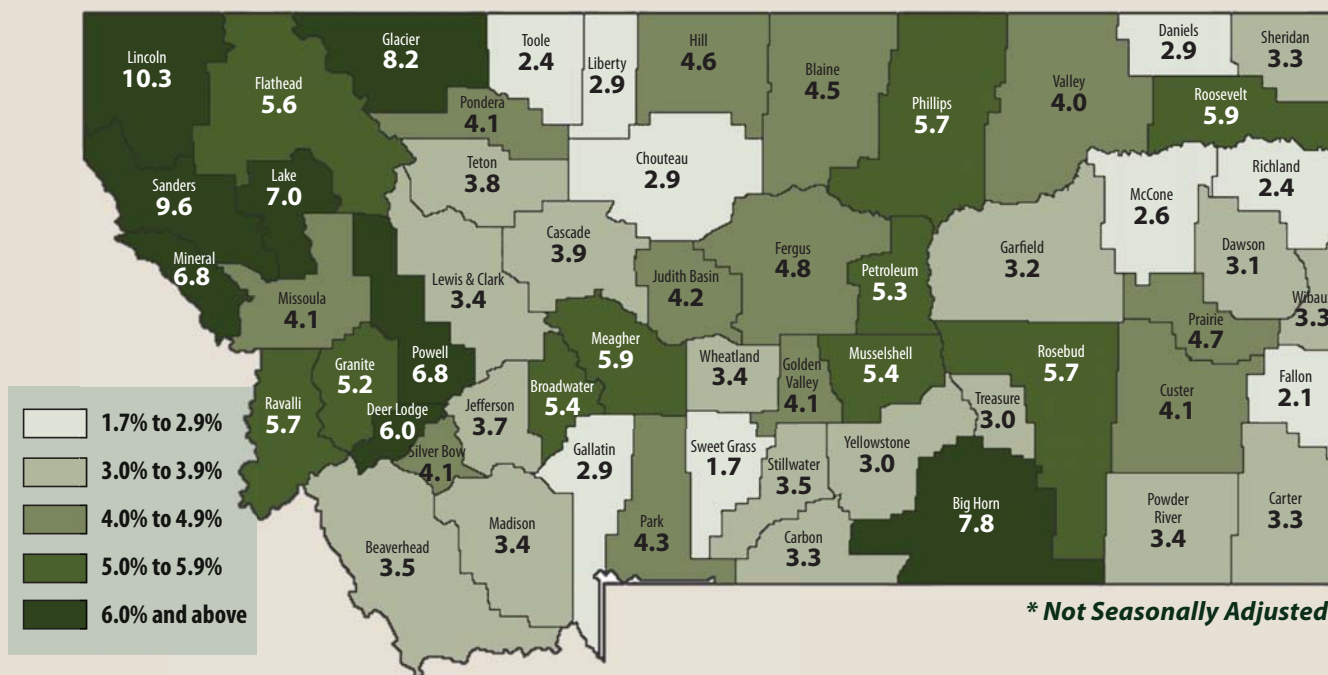
well as the current rates in Billings, Missoula, and Great Falls (Note: not all occupations have wages available by city).

MCIS also provides sample interview questions that can help an employer choose questions to help them find the right applicant for the job. Employers will also find a section on inappropriate interview questions that could help them avoid costly legal mistakes. Simply click "Job Search" from the left sidebar menu, then choose "Step 8 - Prepare and Practice Interviews."

Employers (and job seekers, of course) can access MCIS through the Research & Analysis Bureau website: ourfactsyourfuture.org. Simply click the "Career Resources" button, then select "MCIS-SAF login" from the left sidebar. Free public access to MCIS is provided through the Student Assistance Foundation (SAF).

County Unemployment Rates* - February 2008

Montana Average Rate: 4.2%



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